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March 6, 2008

Ms. Kate Fitzpatrick, Town Manager Needham Town Hall 1471 Highland Avenue Needham, MA 02492

Re: updated Fair Rental Value of Needham Golf Club

Dear Ms. Fitzpatrick:

Attorney Tobin has asked that I update the Fair Rental Value of the Needham Golf Club in light of changing market conditions, additional information provided by their appraiser and a survey of waiting lists at competing golf clubs. I have examined Mr. Dugas's appraisal report for information that adds to the data that I collected for my study. This update is not a stand alone document, rather it should be considered as an amendment to the December 3 appraisal report.

First let me discuss the changes in market conditions. At the time of my report the real estate market was trending downward with housing prices and land sliding 5 to 10 percent per year. This has been accelerated by the sub-prime mortgage crisis and the dumping of foreclosed properties on the market by banks. These conditions still exist today and there is more talk of a recession and a gloomier outlook by economists. The Federal Government has been trying to counteract this by creating an economic stimulus package and reducing interest rates. Overall, the real estate market for all types of properties has been taking a hit with longer selling times and price reductions. This in turn drives up the risk in investments and increases capitalization rates.

The appraisal report by Jeffery Dugas was instrumental in providing additional data that is helpful in updating the Fair Rental Value. He concluded that the adjusted comparables were paying 20% of gross revenue. This may be a good indicator of rent, but the leases are rarely structured this way. They are typically paid on a flat amount per year with annual increases or a flat rate plus a percentage of gross over a base revenue amount.

A recap of the rental comparables culled from his report is shown below.

JEFFERY DUGAS RENTAL COMPARABLES

Name	Town	Rent	Holes	Rent/hole	Comments
Sagamore Springs	Lynnfield, MA	\$400,000	18	\$22,222	rent increase 3% annum
Jamestown CC	Jamestown, RI	\$180,000	9	\$20,000	rent adjusted for extra charges
Minnechaug GC	Glastonbury, CT	\$38,000	9	\$4,222	plus 10% of gross over \$275K
Mill Pond GC	Brookhaven, NY	\$180,000	18	\$10,000	clubhouse leased separately
Pakachoag GC	Auburn, MA	\$67,850	9	\$7,539	green fees \$14-\$16
Falmouth CC	Falmouth, MA	\$250,000	27	\$9,259	separate rent for rest/pro shop
Sunset Hill GC	Brookfield, CT	\$50,000	9	\$5,556	increases, \$2500/year
Strawberry Hill GC	Abington, MA	\$115,000	9	\$12,778	short low end course

I will first make a few observations on the choice of comparable properties. First of all, only two of the comparables are in eastern Massachusetts and not on Cape Cod. Of these two, the course in Lynnfield, is a short 18 holes with a dated snack bar and pro shop. The Abington comparable is a short low end 9 hole course with green fees in the \$16 to \$18 range. Regular greens fees at the Needham Golf Club are \$30 for 9 holes and \$50 for 18. These fees compare favorably to many 18 hole courses.

Mr. Dugas concludes that rent is \$170,000 based on 20% of gross golf revenue. This equates to \$18,889 per hole yet his number one comparable, rents for \$22,222 per hole in a lower end town than Needham. It is my opinion that the \$22,222 per hole should be the low end of the range in rent to consider.

Two other new items have been brought to my attention. First there was a survey of golf club waiting lists that shows a drop in wait periods for membership in courses. And next there is a survey of initiation fees and annual dues at other courses. This too shows a slight decline in initiation fees. Based on this softening of the market I am of the opinion that the Fair Market Value of the Needham Golf Club should not exceed the previous lease of \$260,000 or \$28,889 per hole.

Previously, I reported a Fair Rental Value of \$265,000 for the new lease. The value stated in my December report was influenced by the existing lease structure that was set at a time of higher demand for membership. Based on this new study the rent should be in the \$200,000 to \$260,000 range with \$230,000 being the middle point of the range. I hope this assists you in the negotiations for the lease renewal. Let me know if I can be of any further assistance.

Yours truly,

COLEMAN & SONS APPRAISAL GROUP

Joel H. Tran

Massachusetts Certified General Real Estate

Appraiser #70093

CC: David Tobin, Esq.